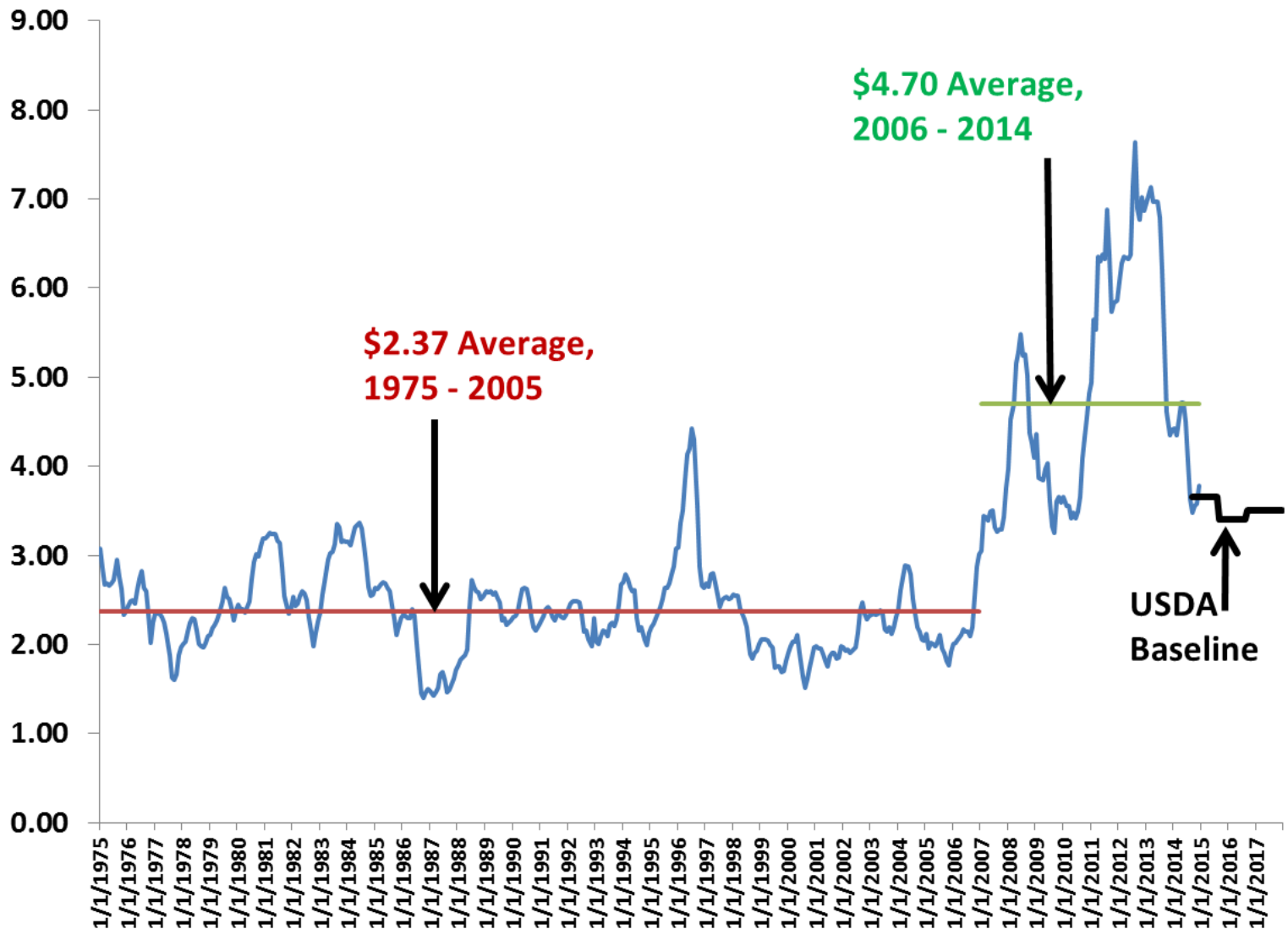


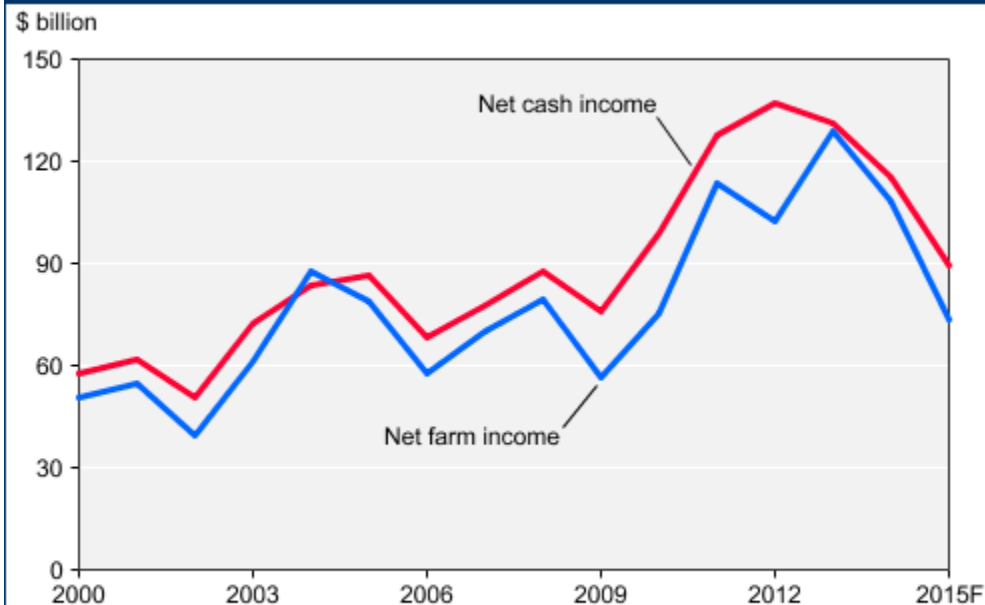
Low Price Impacts on Farm Program Payments and Farm Income

Gary Schnitkey
University of Illinois
schnitke@illinois.edu
217 244-9595

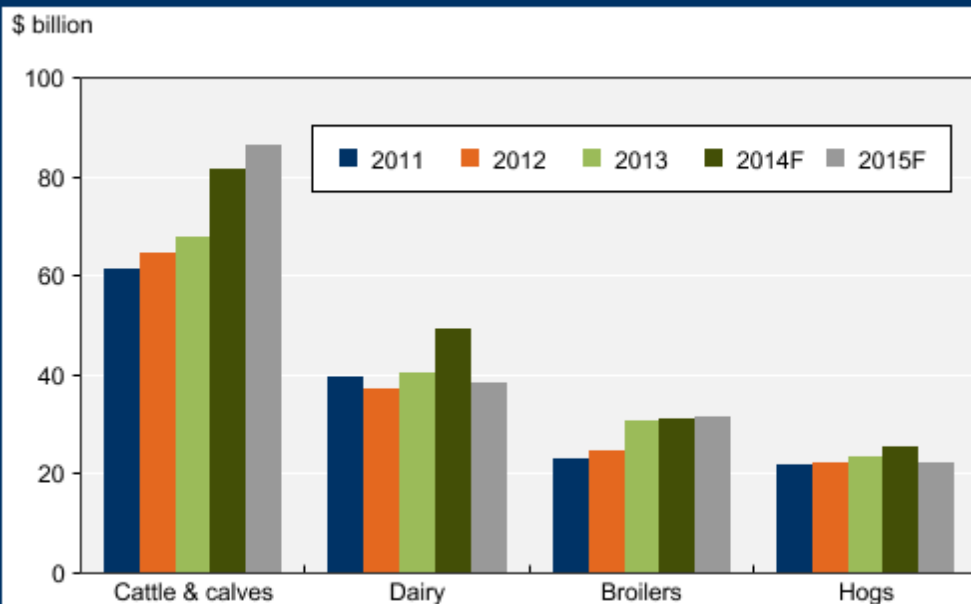
National Corn Price, January 1975 through December 2014



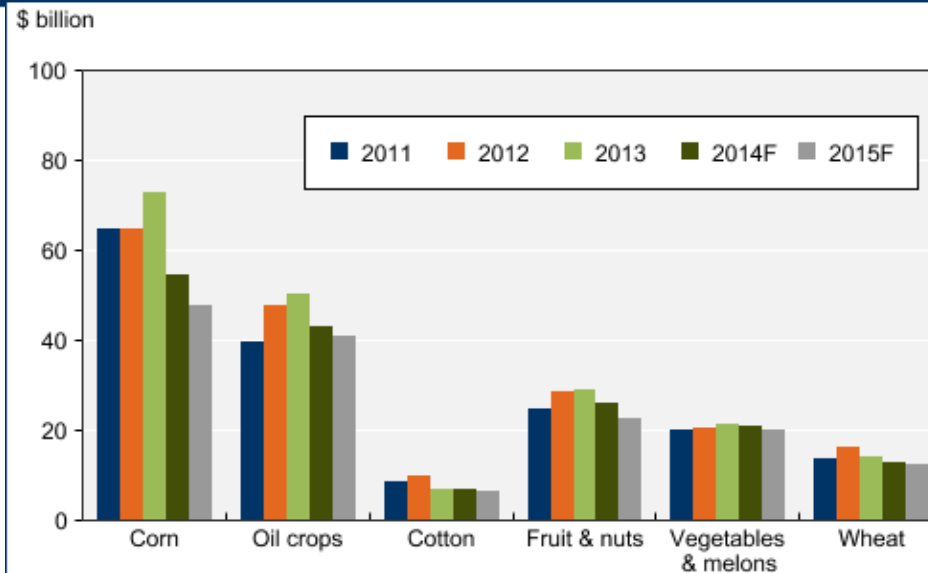
Net farm income and net cash income, 2000-2015F



U.S. value of production for selected livestock, 2011-2015F



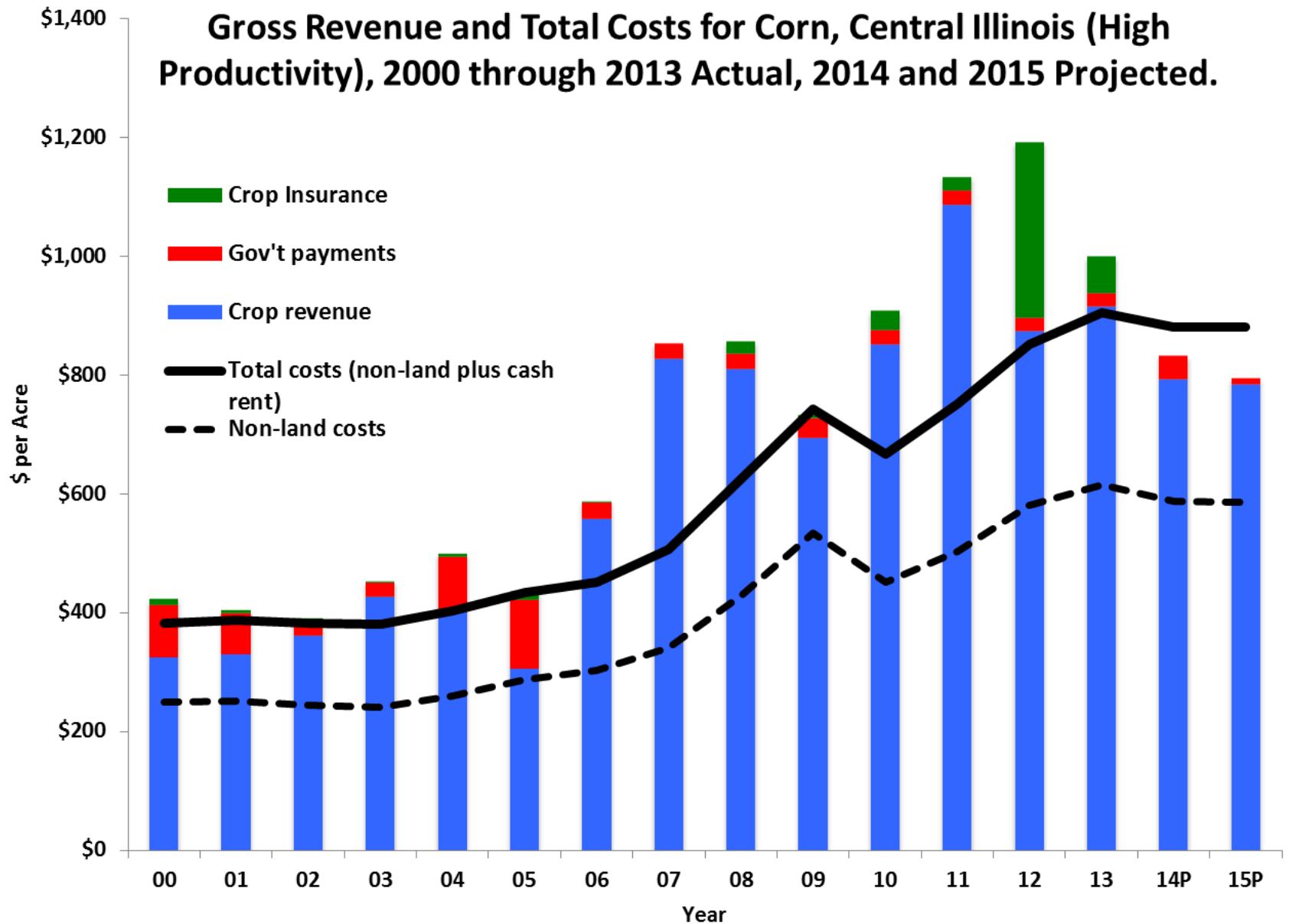
U.S. value of production for selected crops, 2011-2015F



Note: F = forecast.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics

Gross Revenue and Total Costs for Corn, Central Illinois (High Productivity), 2000 through 2013 Actual, 2014 and 2015 Projected.



Major Government Safety Net

1. Crop insurance

2. Commodity programs

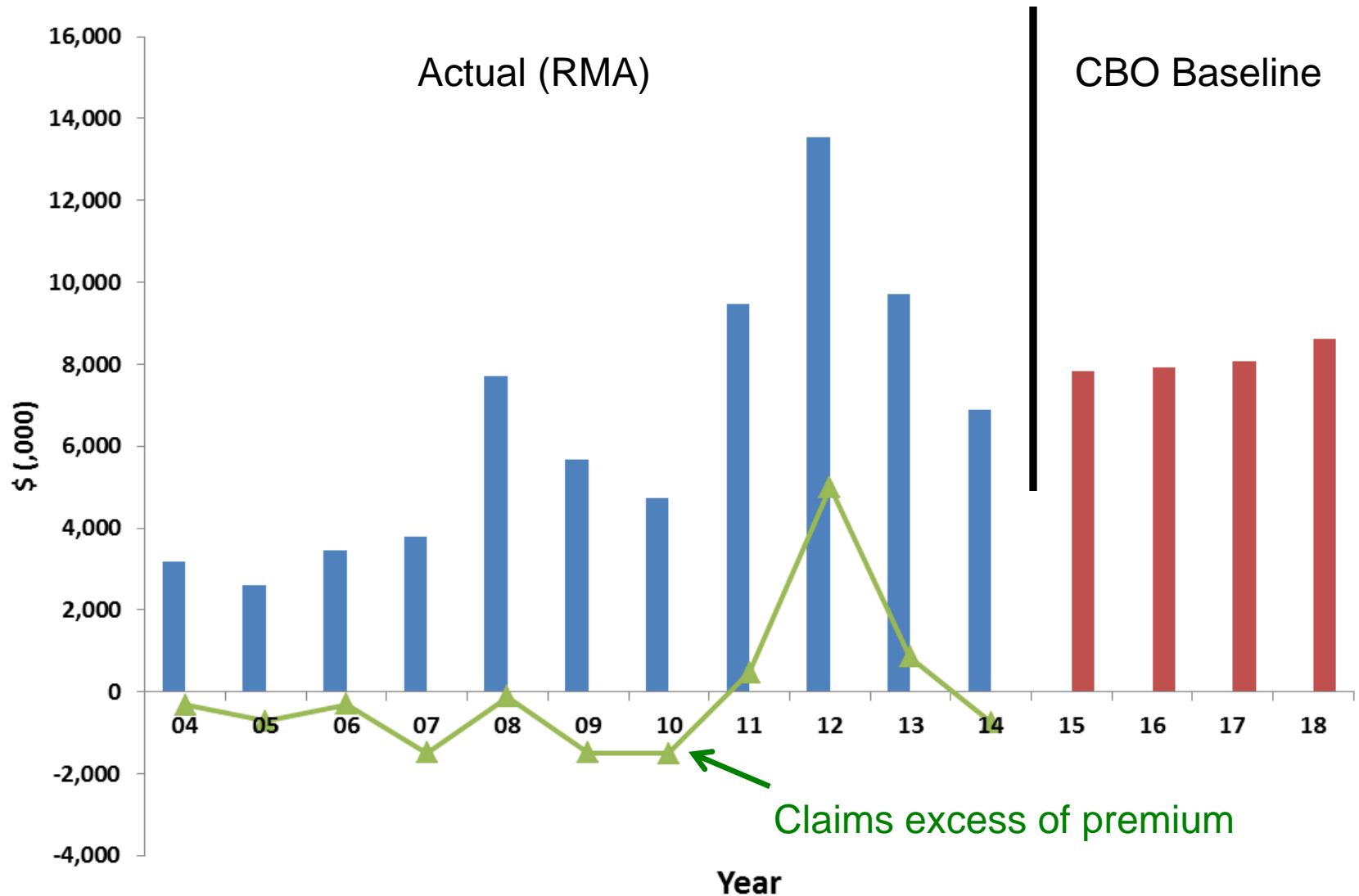
ARC/PLC

Dairy

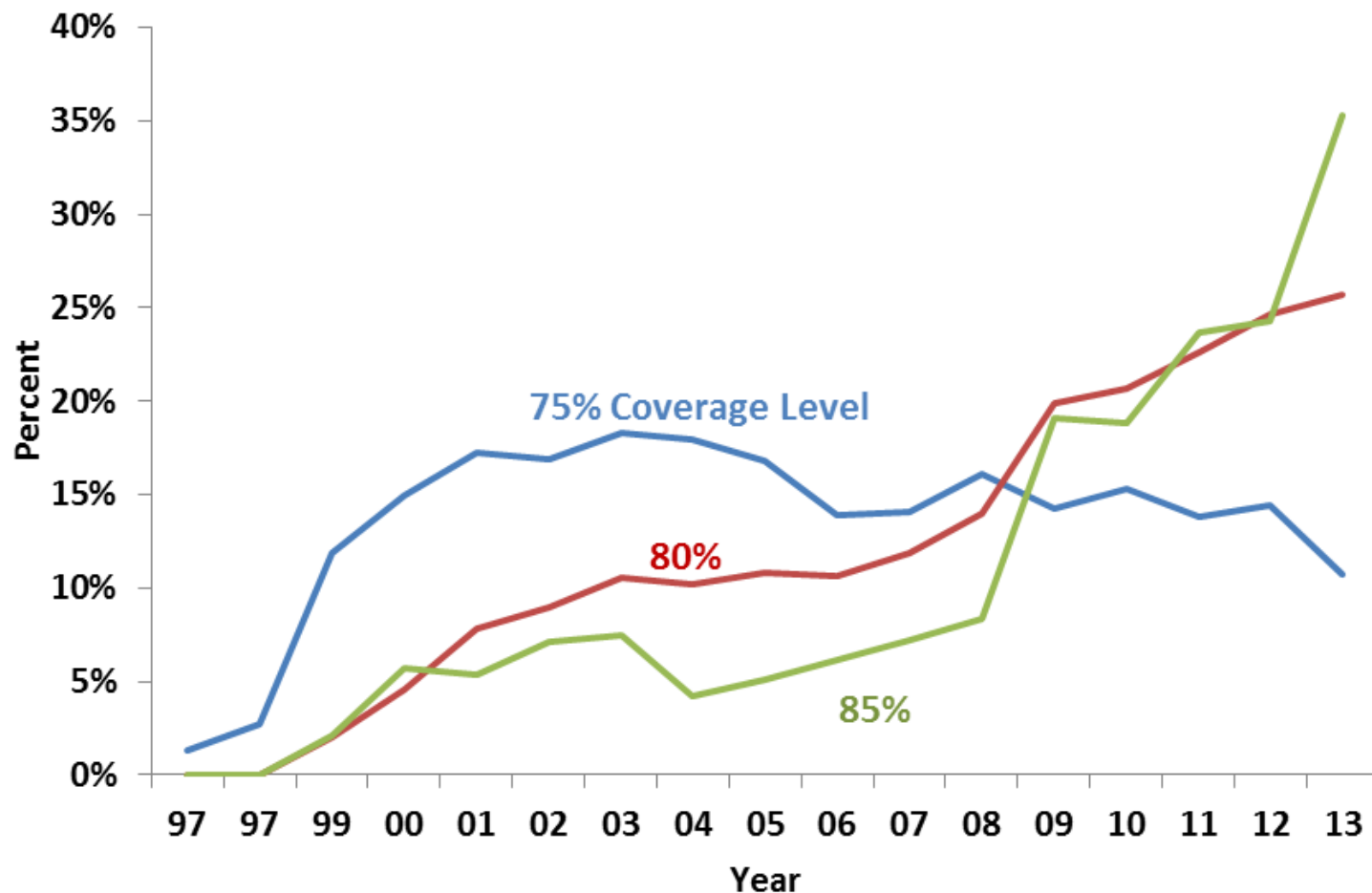
NAP



Federal Government Outlays on Crop Insurance



RP, Corn, I-States at 75%, 80%, and 85% Coverage Levels



Source: Risk Management Agency, Summary of Business data



Projected and Harvest Prices (Midwest States)

	2010	2011	2012	2013	2014	2015
Corn						
Projected Price	3.99	6.01	5.68	5.65	4.62	<i>\$4.15</i>
Harvest Price	5.46	6.32	7.50	4.39	3.49	
Soybeans						
Projected Price	9.23	13.49	12.55	12.87	11.36	<i>\$9.64</i>
Harvest Price	11.63	12.14	15.39	12.87	9.65	

- Projected price – average of Dec. (corn) of Nov. (beans) CME futures contract in February, used to set insurance guarantees.
- Harvest price – average of Dec. (corn) Nov. (beans) CME futures contract in October, used to calculate insurance revenue.



Revenue Guarantees per Acre by Year

Year	Projected Price	RP Minimum Guarantee
	\$/bu	\$/acre
2011	6.01	971
2012	5.68	917
2013	5.65	912
2014	4.62	746
2015P	4.15	670

Corn, 180 bu TA-APH, 85% coverage level

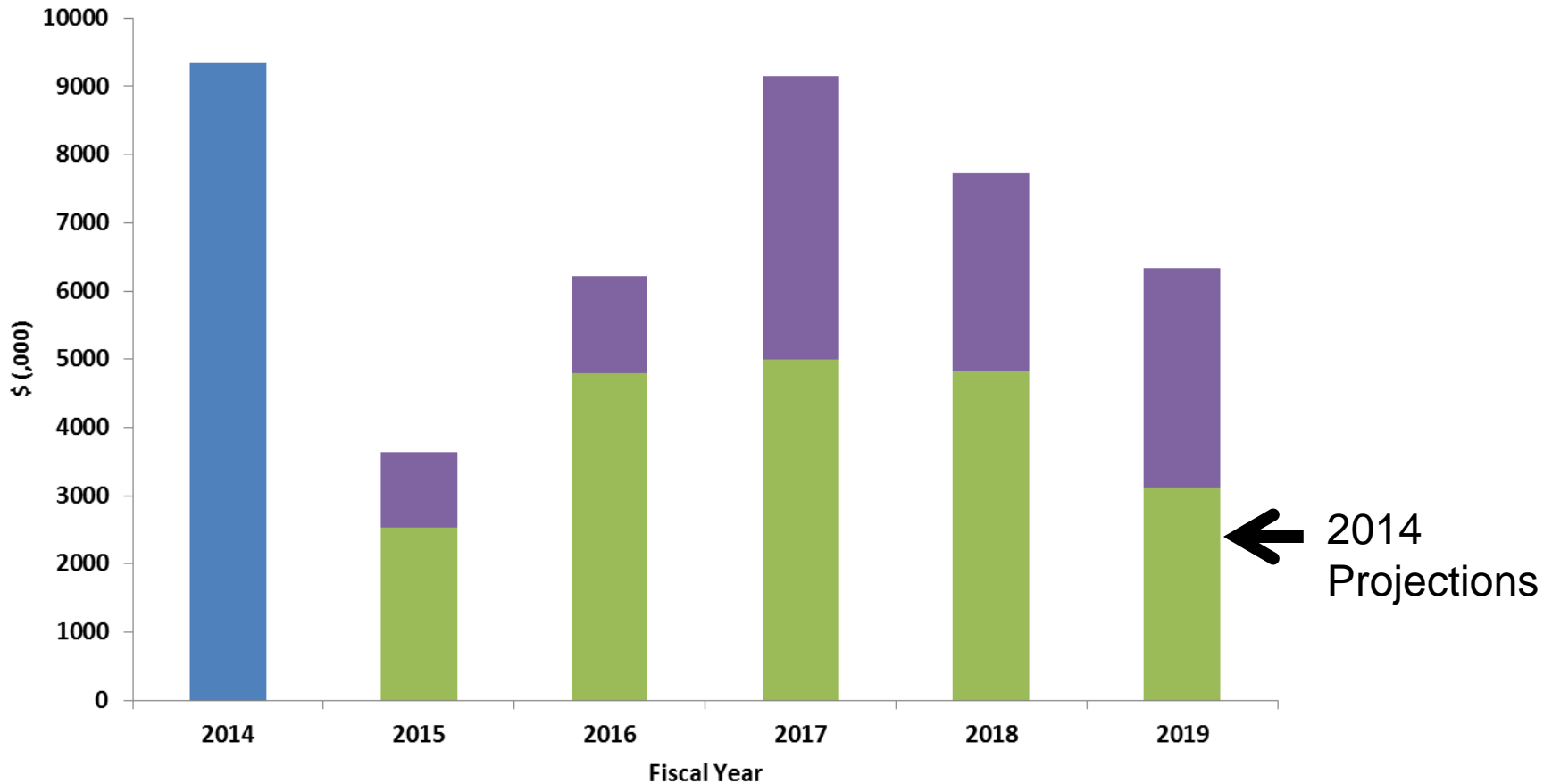


Crop Insurance Issues

- **Increasing coverage levels**
 - Farmer buying up coverage levels
 - SCO and STAX, will do the same thing
- **Change the nature losses, Standard Reinsurance Agreement negotiations**



Commodity Program Spending CBO Projections, February 2015



Program Choice

- **Agricultural Risk Coverage (ARC) – County level program**
- **Price Loss Coverage (PLC) – reference price program**
- **ARC – Individual – farm level program**
- **Feb 28 -- Base acre and yield updating decision deadline**
- **March 31 – program Choice**



Prices Impacting Program Decisions

		2014			
		ARC	PLC	USDA	FAPRI
		Benchmark	Reference	Benchmark	
Crop		Price	Price	Avg (14-18)	Avg (14-18)
Barley	Bu.	5.45	4.95	4.51	4.76
Corn	Bu.	5.29	3.70	3.48	3.81
Grain Sorghum	Bu.	5.10	3.95	3.48	3.69
Peanuts	lb.	0.28	0.27	0.22	0.22
Rice -- Long G.	lb.	0.14	0.14	0.15	0.12
Rice -- Medium G.	lb.	0.15	0.14	0.16	0.14
Soybeans	Bu.	12.27	8.40	8.99	9.42
Wheat	Bu.	6.60	5.50	5.02	5.49



2014 Program Payment Estimate

DeKalb County Illinois

- **PLC = \$6 per base acre**
- **ARC-CO = \$56 per base acre**

200 bu yield

McLean County, Illinois

- **PLC = \$6 per base acre**
- **ARC-CO = \$0 per base acre**

210 Bu yield

Soybean payments = \$0

Average 2014 base acre = \$30 to \$40

Direct payments = \$22

Gross revenue = \$804



**Table 1. Change in Non-Land Corn Costs from 2006 to 2013 by Cost Item,
Central Illinois, High-Productivity Farmland**

Item	Category	Change from 2006 to 2013	2013 Costs
		\$/acre	\$/acre
Fertilizers	Direct	111	193
Seed	Direct	69	114
Mach. depreciation	Power	43	63
Pesticides	Direct	26	66
Crop insurance	Direct	16	27
Drying	Direct	13	24
Fuel and oil	Power	10	24
Machine repair	Power	9	22
Hired labor	Overhead	8	16
Machine hire/lease	Power	5	11
Building repair and rent	Overhead	3	6
Utilities	Power	2	5
Misc.	Overhead	2	8
Building depreciation	Overhead	1	5
Insurance	Overhead	1	10
Storage	Direct	0	8
Light vehicle	Power	0	2
Interest (non-land)	Overhead	-6	11
Total		313	615

Financial Results will Depend on

- **How fast do the following go down:**
 - Machinery purchase
 - Fertilizer and seed
- **Adjustment in cash rents**
- **Adjustment in other cash flows**

